Respondent's Ex. A

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	)	
On Its Own Motion	)	
	)	
v.	)	Docket No. 01-0469
	)	
North Shore Gas Company	)	
	)	
	)	
Proposal to implement Riders SVT and	)	
AGG, and revise Rider 2, Terms and	)	
Conditions, and Table of Contents	)	

DIRECT TESTIMONY
OF
<u>DEBRA EGELHOFF</u>

Q. Please state your name and business address.

A. Debra Egelhoff. 130 East Randolph Drive, Chicago, Illinois 60601.

Q. By whom are you employed?

A. The Peoples Gas Light and Coke Company ("Peoples Gas").

Q. What position do you hold with Peoples Gas?

A. My current title is Supervisor of Rates.

Q. What are your responsibilities in that position?

A. I am responsible for the administration of Peoples Gas' Choices For You^{sm} program. I am also responsible for coordinating the development of a similar program for North Shore Gas Company ("North Shore", "Respondent" or "Company").

Q. Please summarize your educational background and experience.

A. I received a Bachelor of Arts degree in Liberal Arts and Sciences (Economics) from the University of Illinois at Urbana-Champaign in 1991. In 1998, I received a Masters degree in Business Administration, with a concentration in Strategic Management, from DePaul University. Prior to joining Peoples Gas, I worked at Northern Indiana Public Service Company ("NIPSCO") for 8 years. At NIPSCO I held various positions in Gas Supply where I performed such duties as, gas scheduling, asset planning, capacity release trading, and negotiating pipeline transportation contracts. I held various positions in Marketing where I coordinated the daily operations of NIPSCO's choice program and acted as a liaison with suppliers. I began my employment with Peoples Gas in September of 1999 as a Senior Rate Analyst in the Rates Department. In August 2000, I was promoted to Supervisor.

Q. Please give a brief description of the operations and status of Respondent.

A. I am advised by counsel that Respondent is a corporation organized and existing under the laws of the State of Illinois, having its principal office at 130 East Randolph Drive, Chicago, Illinois 60601. It is engaged in the business of purchasing and storing natural gas for and distributing, selling and transporting natural gas to over 149,000 customers. Respondent's service territory covers approximately 275 square miles in the eastern portion of Lake County and a small portion of northeastern Cook County. I am advised by counsel that Respondent is a public utility within the meaning of the Public Utilities Act.

Q. Please describe the subject matter of this proceeding.

A. On May 16, 2001, Respondent made a filing with the Illinois Commerce Commission (“Commission”) which proposed to implement a small volume customer transportation program (“Rider SVT”, “Choices For You℠” or “Program”). Specifically, North Shore proposed to implement Rider SVT, Small Volume Customer Transportation Service, and Rider AGG, Aggregation Service. Also, associated with the creation of the Program, North Shore proposed changes to Rider 2, Gas Charge, and a new paragraph in the Terms and Conditions of Service. These changes necessitated changes to the Table of Contents. On June 27, 2001, the Commission entered a Suspension Order to consider the propriety of the proposed revisions to the riders and other tariff sheets.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to describe the proposed Program and related tariff changes and to explain why these proposals are appropriate. Mr. Wear, in his direct testimony, further addressed certain aspects of these proposals that are related to gas supply.

Q. Please describe Exhibit 1.

A. Exhibit 1 consists of the tariff sheets that Respondent filed with its Advice Letter No. 1025 to implement the proposals summarized above.

Q. Was Exhibit 1 prepared by you or under your supervision and direction?

A. Yes, it was.

Q. Please describe Exhibits 2 through 4.

A. Exhibits 2 through 4 show, summarily, the cost support for certain charges that I discuss in my testimony.

Q. Were Exhibits 2 through 4 prepared by you or under your supervision and direction?

A. Yes, they were.

Q. Please describe Exhibit 5.

A. Exhibit 5 is a chart summarizing Respondent’s proposed daily under- and over-delivery charges and the manner in which Respondent would assess those charges.

Q. Was Exhibit 5 prepared by you or under your supervision and direction?

A. Yes, it was.

Q. Please briefly describe the proposed Program.

A. Choices For You^{sm}, a voluntary program, would offer residential customers served under Service Classification No. 1 (“Rate 1”) and small volume customers served under Service Classification No. 2 (“Rate 2”) with an annual consumption of 50,000 therms or less, the opportunity to choose an alternative supplier. Customers would enroll directly with suppliers, known as “SVT Suppliers”, who meet specific criteria as outlined in Respondent’s Rider AGG. The suppliers have the option to combine these customers into one or more pools for the purpose of managing gas supplies.

Q. On what date would the Program take effect?

A. The Program would become effective on May 1, 2002. This date is preferable because (1) it coincides with the beginning of the traditional storage injection season, (2) it allows the Company and suppliers adequate time to prepare for implementation of the Program, including developing an appropriate customer education campaign and making necessary modifications to customer information and billing systems, and (3) it corresponds with the initial unbundling of residential services by electric utilities. Development of an adequate customer education program and necessary systems changes assume that this proceeding will be completed two or more months in advance of the implementation date.

Q. Why is the Company proposing to create such a program?

A. The Company has offered transportation service since 1984. At the time that Riders SVT and AGG were filed, there were 1,834 customers, including 1,808 Rate 2 customers, who received transportation services under the Company's existing riders. However, there were approximately 11,000 Rate 2 customers in Respondent's service area eligible to receive transportation services who were not transporting gas under the Company's existing transportation riders. North Shore's affiliate, Peoples Gas, has offered a considerably similar program to that filed by Respondent since 1997 that gives lower usage customers an alternative to receive unbundled transportation services under parameters different than those in the Company's existing transportation programs. On May 16, 2001, Peoples Gas filed to revise and expand its existing program, and the filing was also placed under a Suspension Order.

Based on interest in the program offered by Peoples Gas as well as the success of the Nicor Gas Customer Select® program, which offers choice to small volume residential customers, it is obvious that residential customers in the state of Illinois are ready for choice. This has become more evident this past winter with heightened concern over high gas prices and increased attention by the media as well as consumer groups and government officials. Moreover, these customers' electric utility will implement choice programs on May 1, 2002.

Q. What customers would be eligible for the Program?

A. The Program would be open to Rate 2 customers who have an annual consumption of 50,000 therms or less and to all Rate 1 customers. Rate 1 customers throughout the service area would be eligible on a phased-in, first-come, first-served basis. In the first year, up to 20,000 Rate 1 customers could participate. This cumulative enrollment threshold would increase to 30,000 customers in the second year and to 40,000 customers in the third year. Mr. Wear discussed, in his direct testimony, the gas supply issues relative to enrollment limits.

Q. Are there any proposed provisions to allow additional Rate 1 customers the opportunity to participate?

A. The Company's proposal includes a provision, whereby the enrollment limits could be increased at any time with an informational filing made by the Company with the Commission. Regardless, by March 1, 2005, the Company would make such an informational filing with the Commission to establish the enrollment limits, if any, after April 30, 2005.

Q. Would there be additional considerations associated with the eligibility of Rate 1 customers to the Program?

A. Making Rate 1 customers eligible for Choices For You[sm] requires the Company to enter into an agreement with the Illinois Department of Commerce and Community Affairs to determine the distribution of energy assistance (*i.e.*, LIHEAP) grants among the utility and suppliers on behalf of participating customers.

<u>Rider SVT</u>

Q. Please describe the major features of proposed Rider SVT.

A. Rider SVT includes the terms and conditions of service applicable to the Rates 1 and 2 customers who elect to take transportation service under the Program. The proposed Rider SVT has six major attributes. I will discuss these in detail later in my testimony.

- First, customers would need to meet certain criteria in order to participate in the Program.
- Second, enrollment in the Program would be directed through SVT Suppliers.
- Third, all Choices For You[sm] customers may be eligible for the Company's Budget Plan of Payment ("Budget Plan").
- Fourth, a grace period would be given to customers who terminate with (or are terminated by) a supplier, during which the customer can choose another supplier.
- Fifth, Rider SVT customers would not pay the Company additional charges while participating in this Program.

- Sixth, Rider SVT customers would continue to receive a bill from North Shore.

Q. Please describe the criteria that a customer would need to meet in order to participate in the Program.

A. The only criteria that customers must meet are (i) an annual (or 365-day equivalent) usage of less than or equal to 50,000 billable therms (applicable only to Rate 2 customers as Rate 1 customers' consumption would be significantly less), (ii) an actual meter read within a period acceptable to the Company, (iii) a contractual relationship with a participating supplier and inclusion in the supplier's pool, and (iv) regular access to the meter by the Company.

Q. Please explain how a customer would enroll in the Choices For You℠ program.

A. The enrollment period would remain open, subject to the enrollment limits on Rate 1 customers, once the Program is implemented. Customers would contract for service with a SVT Supplier of their choice, and the supplier would advise the Company electronically that it wishes to add the customer to its pool. The customer would not submit notification directly to the Company. The customer would receive from the Company a letter confirming any change to the status of their participation in the Program (*i.e.*, a customer would receive a Confirmation of Enrollment letter when choosing their first supplier; a Confirmation of Switching letter when switching suppliers within the Program; and a Confirmation of Termination letter when leaving the Program and returning to the Company's retail sales service).

Q. Please explain how the Budget Plan would affect Choices For You[sm] customers under the proposed changes.

A. All Choices For You[sm] customers would be able to participate in the Budget Plan subject to general rules established for all budget applicants. These customers may also enter into deferred payment arrangements under the general rules applicable to other customers.

Q. Please explain how the grace period would work for customers switching suppliers in the Program.

A. A customer could choose to leave the Program and resume purchasing gas from North Shore for any reason and at any time. In lieu of having to remain on sales service for twelve months, the customer would have 60 days from the date the customer voluntarily leaves the Program, or is terminated by a supplier, to return to the Program by choosing another supplier. If the customer does not choose another supplier within the 60-day grace period, the customer would remain on North Shore' retail sales service for an additional ten months.

Q. What charges would a Rider SVT customer pay?

A. In addition to those charges defined in the customer's applicable service classification (*i.e.*, Rate 1 or 2), excluding the Gas Charge, a Rider SVT customer would pay the monthly Factor TS Charge as determined under Rider 2. The customer would also be responsible for paying all applicable taxes. If applicable, the customer would remain responsible for late payment charges determined under the rate schedule.

Q. How would the customer be billed under this Program?

A. The customer would either receive a bill from North Shore for utility charges and a separate bill from the SVT Supplier for supplier charges or receive one bill issued by North Shore that would contain the Company's charges and the SVT Supplier's charges ("LDC Billing Option"). In Docket 97-0297, the Commission accepted the former arrangement when proposed and implemented by Peoples Gas, and in June 2000, the Commission accepted the latter arrangement filed by Peoples Gas. In order for the Company to issue one bill, the supplier must enter into an agreement with the Company for the LDC Billing Option. The supplier would identify the customers to be billed under this service.

Q. What would be the cost of the LDC Billing Option service?

A. The cost of this service to the SVT Supplier would be $0.50 per customer bill with up to five lines of supplier charges. The supplier could choose to display up to seven lines of charges for an additional $0.02 per line in excess of five. The supplier could also choose to display a message on each customer bill. The SVT Supplier would be charged $0.01 per line up to a total of five lines. Exhibit 2 sets forth the costs and revenues associated with this service.

Q. What type of costs does the Company recover from these charges for the LDC Billing Option service?

A. The Company recovers costs associated with providing an information system to facilitate the billing service as well as expenses associated with printing and mailing the supplier portion of the bill and processing supplier payments. Exhibit 2 shows actual and projected costs and revenues associated with the Company's LDC Billing Option service. As shown in Exhibit 2, the

Company's revenue requirement is estimated to be about $484,000 over a five-year period (2001-2005). About $279,000 is projected to be recovered over the same period from suppliers using the LDC Billing Option service, resulting in a cumulative revenue shortfall of $205,000. After the five-year period, the Company expects to incur ongoing annual operating expenses of at least $59,000.

Q. Could the customer designate the SVT Supplier as the bill recipient for bills issued by the Company?

A. No. The bills issued by the Company must meet the requirements of 83 Ill. Admin. Code Part 500. These requirements, which were developed by the Commission, are designed to provide detailed billing information as well as safety information to the customer. Such protections are needed to ensure that customers have sufficient and relevant information to understand their bills and to make educated decisions regarding energy usage, and correct information in the event of an emergency. Since the SVT Supplier does not have to meet the same information or format requirements with its bill, the customer would not be guaranteed the same consumer protections. These customers differ from the larger volume users who currently transport under the Company's other riders. The Rider SVT customer would be a relatively less sophisticated energy consumer. The Commission recognized these facts in approving a similar limitation for Peoples Gas in Docket 97-0297. Moreover, SVT Suppliers have substantially less day-to-day gas management responsibilities than suppliers operating under the Company's other transportation riders and have no operational need to receive the bill.

Q. Could the SVT Supplier issue one bill to the customer that would include the Company's charges?

A. No, for the same reasons noted above. Moreover, Respondent's affiliate, Peoples Gas, has conducted customer surveys about its small volume customer transportation program. These small volume customers indicated that they would prefer to receive one bill for their gas service, and they would prefer to receive that bill from the Company.

Rider AGG

Q. Please describe the major features of proposed Rider AGG.

A. Rider AGG includes the terms and conditions of service applicable to all SVT Suppliers that contract to provide gas supply to Rider SVT customers. The proposed Rider AGG has eight major attributes. I will discuss these in detail later in my testimony.

- First, SVT Suppliers would need to meet certain requirements prior to participating in the Program.
- Second, there would be no maximum limit to the number of customers that could be in a SVT Supplier's pool.
- Third, SVT Suppliers would enroll customers in the Program by submitting the requests electronically to the Company.

- Fourth, the Company would forecast the quantity of gas that the SVT Supplier would be required to deliver on a daily basis, however, there would be certain allowable daily and monthly delivery tolerances.
- Fifth, SVT Suppliers would be allocated several days of storage based on the customers in the supplier's pool.
- Sixth, SVT Suppliers would not be required to purchase firm transportation service from a pipeline or mandatory capacity release from the Company.
- Seventh, SVT Suppliers would be required to use the Company-calculated consumption and billing period in calculating customer bills.
- Eighth, the costs required to administer the Program would be collected from the SVT Suppliers.

Q. What requirements would a supplier need to meet prior to participating in the Program?

A. A supplier would be required to complete an application process that includes providing credit-related information and a signed application. The supplier would pay the Application Charge at this time. The Company would use the information, as well as a credit report, to determine what financial assurances (*i.e.*, letter of credit, parent guarantee or deposit) would be required. The supplier would also be required to sign a contract with the Company.

Q. Would there be maximum and minimum limits to the number of customers a supplier's pool must or could have?

A. A SVT Supplier must have a minimum of 50 customers in a pool, but there would be no cap on the total number of customers in a single pool. SVT

Suppliers can choose to have more than one pool under the Program, but charges and gas supply rules would apply to each pool separately.

Q. How would a SVT Supplier submit requests to enroll customers in the Choices For You[sm] program?

A. Customers would contract directly with a SVT Supplier. The supplier would submit requests to enroll customers to the Company through its electronic bulletin board ("PEGASys[sm]"). The Company would return confirmation to the supplier that the request for enrollment was accepted or rejected. The supplier would receive additional customer information for each accepted enrollment (*i.e.*, mailing and service addresses, 24-month usage history, bi-monthly billing indicator). For each rejected enrollment, the supplier would receive a reason (or reasons) for the rejection. The SVT Supplier would use this same electronic process through PEGASys[sm] to terminate a customer from its pool.

Q. Please explain the proposed delivery requirements of SVT Suppliers, including the delivery tolerances that the Company would provide to SVT Suppliers.

A. The proposed delivery requirements would be determined by the Company. The Company would forecast each SVT Supplier's pool's consumption on a daily basis using the best available weather forecast (measured in degree-days) and the heat and base estimating factors of the customers in the supplier's pool. These forecasts, which are the basis of the Required Daily Delivery Quantity ("RDDQ"), could fluctuate each day due to weather, demand and addition/removal of customers from the supplier's pool.

Moreover, the RDDQ would incorporate the use of storage. That is, the RDDQ would be increased in the summer months to include storage injections and reduced in the winter months to reflect storage withdrawals.

Both daily and monthly delivery tolerances would be provided to SVT Suppliers. The daily tolerances would differ depending on the type of day. On Non-Critical Days, a SVT Supplier could deliver between plus or minus three percent of its pool RDDQ. On a Critical Supply Shortage Day, a SVT Supplier could deliver up to three percent over the pool RDDQ. There would be no allowance for an under-delivery on a Critical Supply Shortage Day. On a Critical Supply Surplus Day, a SVT Supplier could deliver as much as three percent under the pool RDDQ, with no tolerance for an over-delivery. In other words, on Critical Days, the tolerance would only be available to the extent deliveries that varied from the RDDQ would not be detrimental to the Company's system. A SVT Supplier would have the obligation to be within plus or minus one percent of the pool's aggregate monthly RDDQ by the end of each month. Mr. Wear, in his direct testimony, addressed the reasons the tolerances were set at these levels.

Q. Why is the Company providing delivery tolerances to SVT suppliers?

A. The Company recognizes that it may be administratively difficult in some instances for suppliers to deliver an exact quantity that is subject to change each day as a result of the weather forecast or the addition or termination of customers in a supplier's pool. Accordingly the Company proposes to provide delivery tolerances to provide more flexibility for supplier deliveries. As Mr. Wear explained in his direct testimony, the Company has sufficient flexibility with its supply and capacity resources to support a limited tolerance.

Q. Please describe how storage would be allocated among the Rider SVT customers.

A. The Company proposes to provide storage days supported through the Company's purchased gas storage and balancing services, as well as those provided and paid for through the base rates. The costs associated with the purchased gas storage and balancing services and the flexible delivery tolerances would be recovered from SVT Suppliers under the Company's Rider 2, Gas Charge, through the proposed Aggregation Balancing Gas Charge, which is described below. As of the date of this testimony, 5 storage days are provided for in the Company's base rates and 20 storage days are provided for in the Company's gas charge rates. The number of days would be determined annually as defined in the Company's large volume transportation riders. Each month during the Injection Period (April through October), SVT Suppliers would be allocated storage based on their pool's Maximum Daily Quantity times the total number of storage days. The storage allocation known as the Maximum Storage Quantity would be determined in October of each year and would not change during the Withdrawal Period (November through March) when such storage is made available for withdrawal through the RDDQ.

Q. Why would the Company not require proof of firm transportation from SVT Suppliers?

A. In Docket 97-0297, the Commission found that a firm transportation requirement was reasonable for a small volume program, but it also concluded that it was reasonable and prudent for Peoples Gas to assess the continuing need for such a requirement. Drawing on Peoples Gas' experience, the Company believes that the proposed daily Under- and Over-delivery Imbalance Charges would serve as an incentive for suppliers to secure adequate firm transportation or firm supply service to ensure gas deliveries under the Program. These charges will be described in detail later in my testimony. This position is also based on the Company's recognition that despite the fact that a supplier may sign an affidavit or present a signed firm transportation agreement, there is no guarantee that the supplier would use this capacity for the sole purpose of deliveries under the Program.

Q. Why does the Company propose to require suppliers to use the Company's calculated consumption and billing period in preparing each customer's bill?

A. If a supplier uses a billing consumption and billing period different than the Company's calculated consumption and billing period, customers may have difficulty reconciling the difference between the supplier's billed usage and the Company's billed usage. By adding this requirement customer confusion is minimized.

Q. Please describe the charges applicable to SVT Suppliers.

A. Pursuant to Rider AGG, applicable SVT Supplier charges include an Application Charge, an Aggregation Charge, a Customer Pool Activation Charge, and an Aggregation Balancing Charge. The Application Charge is a one-time $2,000 charge paid by each new applicant. Each month SVT Suppliers would be billed (1) an Aggregation Charge equal to $200 per pool, plus $1.25 per customer in the pool; (2) a Customer Pool Activation Charge equal to $10.00 for each customer added to the pool; and (3) an Aggregation Balancing Charge, which is discussed in detail later in my testimony. As applicable, SVT Suppliers may also be billed Under- or Over-delivery Charges and/or Cash-out Charges, as well as, any applicable late payment charges. Exhibit 3 sets forth the costs supporting the derivation of these charges.

Q. What costs are recovered through the Rider AGG charges?

A. Costs associating with providing the technical systems developed to support the Program, including any ongoing enhancements and maintenance, as well as costs associated with Program administration, supplier and customer care, and supplier and customer education are recovered through these charges. As shown in Exhibits 3 and 4, costs associated with these activities are projected to reach about $1.33 million through fiscal 2005. About $1.27 million is expected to be recovered during the same period, leaving approximately $60,000 remaining to be recovered. In addition to these uncollected expenses, the Company expects to incur additional ongoing annual operating expenses of at least $109,000.

Q. Please explain the proposed Under- and Over-delivery Charges.

A. Under- and Over-delivery charges would be imposed when a supplier delivers gas under or over the pool's RDDQ that exceeds the applicable delivery tolerance. The resulting imbalance would be assessed a charge which consists of the sum of the applicable Imbalance Charge and the applicable Non-Critical Day Charge or Critical Day Charge. The Imbalance Charges are derived from market indices for the Chicago citygate. Imbalance Charges are tiered such that increasing underage imbalance levels (deliveries less than the RDDQ, adjusted for the available tolerance) trigger higher payments by the SVT Supplier to the Company and increasing overage imbalance levels (deliveries in excess of the RDDQ, adjusted for the available tolerance) trigger lower payments by the Company to the SVT Supplier. Under Respondent's Rider 2, these payments are flowed through the gas charge. The applicable Non-Critical Day Charge and Critical Day Charge, which are based on the Company's unauthorized use charges, are paid by the supplier to the Company, irrespective of whether the deliveries result in an overage or underage.

Exhibit 5 is a summary that explains the application of charges that a SVT Supplier would be assessed if an under- or over-delivery occurs on a specific type of day (*i.e.*, Non-Critical Day, Critical Supply Shortage Day, or Critical Supply Surplus Day). Exhibit 1, Sheet Nos. 138-141, shows the application of these proposed charges in detail.

Q. Why is the Company proposing these daily imbalance charges?

A. The Under- and Over-delivery Imbalance Charges reflect the need for charges associated with deliveries outside available limits to tie to the current market prices. These charges, plus the applicable Critical Day and Non-Critical Day Charges would help to ensure that suppliers act responsibly in regard to the their obligation to deliver the RDDQ whether it is a Critical Day or Non-Critical Day and would prevent cross-subsidization of costs by retail sales customers should suppliers under- or over-deliver gas. As the Company is not proposing a firm transportation requirement, the importance of market-based daily financial incentives to meet the daily delivery requirement is heightened. Moreover, given that the market price for natural gas can rise to levels that exceed the proposed Non-Critical Day Charge (as demonstrated during the 2000-2001 winter), the addition of a daily imbalance charge tied to market indices is essential to minimize economic incentives to not perform under the Program; the Non-Critical Day Charge alone could well be inadequate. This structure is similar to daily imbalance charges assessed by interstate pipelines. The SVT Suppliers only need to deliver volumes within the daily tolerance to avoid these charges.

Q. Please describe the Cash-out Charge.

A. At the conclusion of each month, the Monthly Cash-out Quantity, the difference between the pool’s consumption and the deliveries made by the SVT Supplier, would be cashed out. If the cash-out quantity reflects a monthly over-delivery, the Company would purchase those excess volumes from the supplier at the applicable month’s Average Monthly Index Price (“AMIP”). If the cash-out quantity results in an under-delivery for the month, the supplier would purchase the deficit in gas supplies from the Company at the same AMIP. The AMIP is determined in accordance with the Company’s existing Rider TB. The cash-out volume would be adjusted to exclude the volumes subject to the daily cash-out. In other words, the same quantity would not be subject to both a daily and monthly cash-out. Also, a charge of $1.00 would be applied to each therm greater or less than the Required Monthly Delivery Quantity ("RMDQ"), which is the sum of the RDDQs for the month, plus or minus the allowable one percent monthly tolerance. For example, if the RMDQ for a particular month is 1,000 therms and total supplier deliveries for the month are 1,030 therms, the quantity in excess of one percent of the RMDQ is 20 therms (1,030 therms – 1,010 therms = 20 therms). The 20 therms would be subject to the Cash-out Charge plus the $1.00 per therm. The 10 therms within the monthly tolerance would be subject only to the Cash-out Charge. The supplier can avoid the $1.00 charge by keeping its monthly deliveries within the tolerance.

<u>Rider 2</u>

Q. Please describe the proposed changes to Rider 2.

A. The Company proposes revisions to Rider 2 to add a new type of gas charge, the Aggregation Balancing Gas Charge, which would apply to SVT Suppliers based on their pool's consumption. This new gas charge would appropriately recover the Company's costs associated with the purchased storage and balancing services that support storage service provided to SVT. Mr. Wear, in his direct testimony, described how the Company uses its purchased services to support balancing and storage services. Suppliers, specifically the gas charge rates storage days discussed previously and associated balancing. Recovery of these costs from SVT Suppliers would ensure that retail sales customers do not subsidize these services.

Q. Please describe how the Aggregation Balancing Gas Charge would be calculated.

A. As with other gas charges determined pursuant to Rider 2, the Company would determine and file the Aggregation Balancing Gas Charge each month. The Aggregation Balancing Gas Charge would be equivalent the Non-Commodity Gas Charge determined under Rider 2 less any firm transportation costs not associated with balancing or storage. The amount collected from SVT Suppliers under this charge would be credited to remaining non-transportation customers through the Gas Charge.

Terms and Conditions of Service

Q. Please describe the proposed changes to the Terms and Conditions of Service.

A. Respondent proposes adding a provision called "Operational Integrity" to its Terms and Conditions of Service to provide a tool for the Company to more effectively manage gas deliveries to its citygates. Mr. Wear, in his direct testimony, discussed the need for such a provision.

Q. Does this conclude your direct testimony?

A. Yes, it does.